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SUBJECT: EGYPT TELLS EB/CBA MERMOUD IT'S "OPEN FOR BUSINESS"

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Summary

1. (SBU) During his meetings with a large sampling of Egypt's political and business leaders, EB/CBA Frank Mermoud heard that while Egypt is "open for business" due to positive policy reforms, significant challenges to business development remain. Expanding outreach to Egypt's ICT sector and encouraging more face-to-face encounters between Egypt's leaders and American business could help foster greater linkages. Treatment of Egyptian travelers at U.S. border crossing points is straining our commercial relationship, despite Post's successes in facilitating business visas. End Summary.

Expanding U.S.-Egypt Business Linkages

2. (SBU) EB/CBA Frank Mermoud visited Cairo November 12 - 15 to engage GOE officials and private sector leaders in building greater business and investment linkages between Egypt and the U.S., seek continued cooperation on WTO reform proposals, and press for Egyptian support on Internet governance issues at the World Summit on the Information Society in Tunis. Mermoud met with the Ministers of Foreign Trade and Industry and Investment, senior officials from the Prime Ministry and Ministry of Communications, a variety of business leaders, and addressed assembled members of the American Chamber of Commerce in Egypt.

3. (SBU) Mermoud also toured the Smart Village, a business park designed to co-locate ICT companies and foster incubation of start-up ICT businesses and technologies. The Smart Village, which also houses the Ministry of Communications and Information Technology as well as offices of the Prime Minister, includes regional headquarters of major U.S. ICT firms such as Microsoft Egypt, as well as the CultNat exhibit, a project aimed at digitizing and displaying Egypt's cultural heritage.

Open for Business

4. (SBU) Despite remaining challenges, Mermoud's GOE interlocutors sought to stress that Egypt was indeed "open for business" and would continue to enact changes designed to foster private sector growth and investment. A standout among these initiatives is the Ministry of Investment's "One Stop Shop" for private business registration. The "Shop" brings all the steps of business start-up to one location, resulting in a 72 hour turn-around of startup applications. Such a development, the GOE hopes, will go far in raising Egypt from its dismal rating of 141 out of 155 in the International Finance Corporation's (IFC) ranking of the ease of doing business in various countries. Minister Mohieldin noted that an IFC team was due to visit Cairo soon and that they would certainly be made aware of this positive development.

5. (SBU) On the R&D front, the Ministry of Communications has established virtual "Centers of Excellence" which seek to create synergies in electronic design, wireless technologies, and data mining for the tourism and oil and gas sectors as well as increase search capabilities in Arabic text publications. According to Microsoft Egypt, the IPR situation in the software field was improving, with laws and regulations in place and adherence -- particularly in government departments -- on the rise.

Challenges Remain

6. (SBU) Despite the economic reforms enacted under PM

Nazif's cabinet, significant challenges to increased business development in Egypt remain. Tariff and tax reforms, monetary policy discipline, and increased privatization of state-owned enterprises (the number of transactions and size of proceeds have doubled over the last four years according to the Minister of Investment), have contributed to increased capital inflows. During his meeting with Mermoud, Minister of Investment Mohieldin, however, outlined four primary obstacles he and his colleagues face in increasing investment in Egypt: 1) access to finance, 2) access to land by the industrial and agricultural sectors, 3) lack of acceptable dispute settlement procedures, and 4) an entrenched and corrupt bureaucracy. Mohieldin's assessment mirrored those gleaned from meetings with private sector leaders from a variety of industries and regions in Egypt.

Beyond the Beltway

17. (SBU) Mermoud entreated his GOE interlocutors to add travel "beyond the beltway" for meetings with American private sector companies to their itineraries when visiting Washington, D.C., and offered EB/CBA's assistance in arranging meetings further afield. The officials recognized that such meetings, particularly in the ITC sector, would help cement existing business relationships and expand the pool of potential investors in Egypt.

Common Refrain

18. (SBU) Egyptian travelers continue to face difficulties at U.S. border crossings, however, which they say are straining our bilateral commercial relationships. Despite Embassy Cairo's success in establishing an expedited, customer-friendly business visa program, Mermoud encountered consistent complaints about the treatment of Egyptian travelers upon entering the U.S. from both government and private sector interlocutors. As an example, Dr. Khaled Ismail, Senior Advisor to the Minister of Communications, raised this issue with Mermoud during their 11/13 meeting. Ismail, an MIT graduate and former IBM employee, said that the last two times he tried to enter the U.S. he was detained in secondary and questioned extensively about his and his family's background, his intentions on traveling to the U.S., etc. In each instance he was held for over two hours.

19. (SBU) Ismail noted that while he understands the need for vigilance at the border, he said that surely there must be ways to prevent repetitive questioning of evidently "innocent" travelers, particularly those who resided legally in the U.S. for extended periods in the past. Several other interlocutors offered unsolicited commentary on similar experiences, noting how this is a deterrent to travel to the U.S.

Comment

10. (SBU) The Smart Village grouping presents an opportunity for U.S. ICT sector companies seeking expansion in the region and for USG agencies seeking to enhance ICT development and IPR protection in the region. Post recommends further USG outreach to the Smart Village entities and looks forward to facilitating contact.

11. (SBU) USG efforts at facilitating visas for businesspersons are harmed if travelers repeatedly encounter ill-treatment at border inspection points. While most of our interlocutors understand the role of name-check computers and the possibility of misidentification, they are less forgiving when every entry to the United States requires secondary inspection and extensive questioning. This is a deterrent to travel to the U.S. and puts our companies at a disadvantage when competing in the global marketplace.

JONES